

INCOMING TELEGRAM

Department of State

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Action

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Info

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Control: 544

Rec'd: August 1
2:45 p.m.

FROM: Jidda

TO: Secretary of State

NO: 46, July 31, 5 p.m.

PRIORITY.

SENT DEPARTMENT 46, REPEATED INFORMATION LONDON 6.

EMBTELS 43 and 44 Repeated Information London 3 and 4.

(1) I met with Yusuf Yasin for two and half hours at my residence July 29. Hancock and Jenkins attended. Was agreed purpose meeting was informal exchange views for submission our governments. Following are highlights (full record by pouch):

(A) Recent SAG-US exchange of views and reporting thereon.

Usuf said most important to him, according instructions from King when leaving for Riyadh July 28, was that we expedite reports to our governments, correct misunderstandings and come as close together as possible, to work out problems in atmosphere of mutual understanding.

After outlining for him my report already despatched (REFTELS) of audience with HM July 25, I voiced hope we might find mutually agreeable suggestions, in nature "rounded package" three or four related projects involving mutual benefit whereby USG might continue contribute towards strengthening Kingdom which might assist Washington in considering my report.

Yusuf then spoke of general "nervousness in present situation in Middle East". I opined this need not (repeat not) affect us. USG had never once lost faith in King Saud and we could continue base relations, which are special, on common interests and principles.

Yusuf voiced apprehension there was Jewish influence behind certain parts of USG message given HM. I differed, assuring him message had been prepared at highest State and Defense Department and represented considered views of USG.

(B) Concept of friendly reciprocity.

Yusuf

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Yusuf opened substantive discussion by pointing out that, while legally DAF agreement had expired, SAG had not (repeat not) said "get out". He felt at this point it would be most helpful move, and quite reasonable, for USG to reciprocate this friendly attitude by agreeing ship current order for \$30-35 million worth of arms (without demanding payment now (repeat now)). In other words, Saudi friendly accommodation in tacit extension of agreement might appropriately be matched by equally friendly accommodation on part USG in shipping current order.

This, Yusuf argued, would give time for both sides to work out five-year extension, and would give Saudi Ministry of Finance opportunity work out method of paying for shipment.

[REDACTED]

A(1)
EB

(C) USG "counter-suggestion".

Yusuf said next thing to consider was counter-suggestion from USG, since Saudi proposal had not (repeat not) been acceptable, but wondered whether we should wait to hear from Washington on this score. I opined we should await and not (repeat not) hurry decision but said meanwhile, if there were fields in which Yusuf thought our assistance would be particularly agreeable to HM, I should like submit his ideas.

(D) Assistance possibilities based on mutual benefit.

Yusuf said no (repeat no) doubt whatever most important thing in HM's mind is question of arms. Money needed to purchase arms. Money needed to purchase arms would be spent for arms in any event. Consequently, aid in other fields would relieve pressure on budget to that extent.

I said hoped we might be able help to limited extent in both military and other fields, where action would be to mutual benefit.

I recalled my mention at Riyadh of possibility our building jet-age terminal with modern radio communications system and other needed facilities at DAF, which had seemed particularly to appeal to Khalid.

I said, too

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I said, too, Saudis might find they wished us advance from advisor role with respect Saudi air force to one of direct training. This would produce "results" of which HM so desirous. Hancock pointed out training

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TO: Secretary of State

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NO: 46, August 1, 5 p.m. (SECTION TWO OF TWO)

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Cost was substantial part, at least one-third, of expense of building air force.

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It was to common interest, I recalled, that Saudi Arabia have army and air force able to contribute to defense of area. He has said his forces would never be used to attack.

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I also suggested that another field for joint undertaking might lie port development at Dammam. As we looked forward in great eastern province to increased oil production, to jet-age field and to increased building activity in Riyadh, Khobar and Dammam, might it not (repeat not) be viewed as of mutual benefit were we to be able help in improving port facilities already inadequate for needs ocean shipping?

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Yusuf appeared pleased this suggestion and listed without discussion other outstanding Saudi projects in economic field: Riyadh-Medina-Jidda and Medina-Maan railways, coast to coast highway, Jidda port, agriculture and mining. He then suggested US Government and SAG might be able to work out economic grant aid agreement

provided no (repeat no) political strings attached.

(E) Time for study.

In closing I observed all this would require considerable study in Washington. We all desired prompt but not (repeat not) hurried action. My thought, I said, was that Yusuf could accompany HM to Indonesia in all confidence this matter would be carefully presented to Washington. HM would be back in one month. Let us, I suggested, give Washington that time to put together "package deal" of mutual interest, and have it here on HM's return for Yusuf and me to study.

(F) Continuance military discussions.

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Meanwhile,

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Meanwhile, I suggested, let Hancock prepare agenda as basis for preliminary talk with Mishaal, and then have military experts prepare study of what arms procurement program should be for future. This was agreed.

(2) Hancock and Yusuf met July 30 and agreed on agenda. They will fly Taif August 1 to make with Prince Mishaal arrangements for meeting of military experts.

Hancock could be useful here in following these meetings, but both Yusuf and I believe he would render greater service were he to return again to Washington to participate in discussions there if, as I suggested seemed probable, Department's of State and Defense would require better part of month to prepare detailed "counterproposal" desired by King Saud.

Hancock requests instructions. He would leave immediately following their receipt.

(3) Full text my July 25 audience with King was forwarded by airpouch PA-631, July 30.

I should appreciate information when letters of offer are sent Saudi Embassy Washington, with copies by air pouch.

Hancock suggests Defense pass USAF.

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